Enterprise System Implementation Failure: A Strategic Response?

Teaching Case

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Abstract

A global manufacturing company needing to upgrade its IT to support rapid growth decides to pilot an Enterprise System implementation in one of its European businesses. This was unsuccessful, but a second attempt in Australia, drawing on the many lessons learnt was regarded as successful. Subsequently, 14 implementations proceeded all over the Asia Pacific region and elsewhere in Europe. The subsequent implementation of the Enterprise System into a recently acquired business in New Zealand proved problematic. The NZ management team and users were highly critical of the system and appeared to strongly resist its implementation. Cutover was eventually mandated and did occur, but the business almost failed due to problems with the new system. Much seemed to depend on the system's perceived continuing capability to support the business. The CIO in Head Office dispatched a small experienced team to New Zealand to review the situation.

Keywords: Enterprise Systems Implementation, resistance to change, IS failure,

Case Overview

CorpeX[2] is a US based, global manufacturing company that is growing rapidly outside the US largely through acquisitions. In the mid 90's it was clear that its aging, albeit highly functional, domestic IT system was not capable of supporting its international growth, so it proceeded to pilot the implementation of a commercial Enterprise System (ES). The first attempt, in Europe, was unsuccessful and abandoned but a second attempt in Australia, drawing on the many lessons learnt in the first attempt, was regarded as successful. Subsequently, 14 implementations proceeded all over the Asia Pacific region and Europe, establishing two regionally integrated systems, each following an established in-house implementation process. In 2006 with all the established businesses outside the US on the system, the coordinating Project Manager left the organisation and most members of the various project teams returned to their former roles. There were still some acquisitions taking place but it was believed there was now enough knowledge in the organisation to handle these case by case. However the subsequent implementation of the corporate Enterprise System into a recently acquired business in New Zealand, Company Y, proved highly problematic. The NZ management team and users were highly critical of the system and appeared to strongly resist its implementation. Cutover was eventually mandated and did occur. The following months were very difficult for Company Y, and sales fell, while costs rose. Under pressure to meet sales and cost reduction targets, the General Manager (NZ) blamed the system implementation and the new system. The issue eventually reached the CIO in the US who was particularly concerned, as news of this troubled implementation had already reached other newly acquired businesses, and he was already under pressure

[1] The teaching note is available from both authors.

[2] CorpeX and Company Y are pseudonyms at the request of the original companies.

from managers in those businesses expressing a strong desire to retain their legacy systems. Much seemed to depend on the system's perceived continuing capability to support the business. He despatched a small experienced team to New Zealand to review the situation. What should be done? Should the implementation be persisted with, or withdrawn and the legacy system reinstated? Or were there other options? What caused this situation to arise? How might it have been avoided?

Introduction

Following an extended ES implementation marked by poor cooperation between the implementing team and local users in a newly acquired subsidiary of CorpeX (Company Y), users of the new system complained bitterly to their General Manager (Figure 1). Compared to the bespoke application they had been using for many years, they found the acquiring company's system slow, cumbersome and unsuited to the way they were used to running their business. They claimed they were losing customers through errors in order fulfilment, delivery and billing, and would have to take on more people to cope with the protracted data entry requirements. Under pressure to meet demanding sales targets and reduce costs, the General Manager contacted the Regional CEO in Hong Kong, and expressed grave concerns about the new system and its suitability to run the NZ business. He reported that sales were down and costs were rising, and blamed the new system for causing each of these problems. Sales were down, he reported because of errors in handling customer orders, in erroneous deliveries, and in inaccurate billing of the customer, causing dissatisfaction amongst their once-loyal customers. Furthermore, additional staff had had to be employed in warehousing, because of the cumbersome data entry requirements of the new corporate ES. The blame for failing to meet these demanding sales targets and for the rising costs was sheeted clearly home to the new system. The Regional CEO, with a background as a hard hitting sales manager and no friend of IT, contacted the CIO in CorpeX Head Office in the US, demanding he fix things immediately. He pointed out that it was unconscionable that one of the top-performing businesses in his region be put in such a parlous state as a result of this IT implementation. The CIO was already under pressure from the management team of another, much larger recently acquired business in Australia, who had heard the rumours of the terrible system that had been implemented in the NZ business, and was pressing to keep his existing ES system rather than change to that of the acquiring company. The last thing the CIO wanted was an admission that his carefully nurtured and widely used ES was apparently so deficient. But he was also left somewhat incredulous at the reports of the problems in NZ, as previous implementations had proceeded smoothly in many different regions of the world, and never before had his email run so hot with complaints about the system. He strongly suspected that in fact the new system was not deficient, and started to wonder about what exactly had gone on down there. After all, it was being successfully used in many of the company's businesses throughout Europe, Asia and the Asia Pacific region. Clearly something had gone very wrong with the implementation in NZ. Terribly wrong, and he need to know about it.

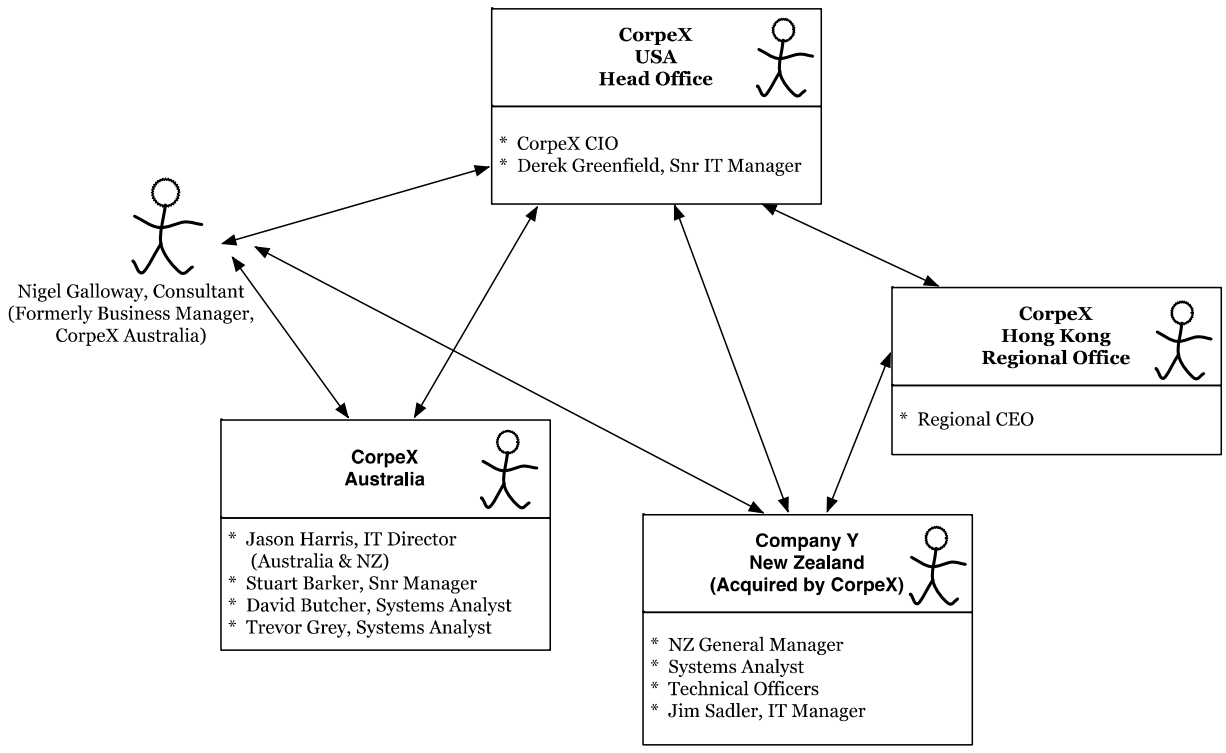

Figure 1. Organizational Chart and Key Players

The CIO thus agreed to arrange an immediate review, and asked a senior IT Manager in Head Office in the US, Derek Greenfield[3], to organise it. Greenfield had been involved as a sponsor for many such implementations in the past, and was known for his no-nonsense, pragmatic approach. Greenfield had a reputation. Greenfield in turn sought assistance from an ex-colleague, Nigel Galloway, who had project managed many ES implementations for him in the past but was now working as an academic and free lance consultant. He also invited Jason Harris who had just been appointed IT Director to CorpeX Australia, a new position to bring together all the IT responsibilities of the organisation in Australia and New Zealand. Harris had previously been the IT Manager in another company that CorpeX had recently acquired. He hadn't started in his new role, but it seemed like a good introduction for him nevertheless. Together they travelled to New Zealand to visit Company Y, where Galloway takes up the story.

It was all arranged when we'd arrived, and we were ushered straight into one of their conference rooms for what we thought would be the first meeting of the day to kick start the review. A room set up with two screens and keyboards, a whiteboard in between on which a list of common transactions were listed, together with space for start and completion times for each. A staff member was sitting in front of each of the screens, apparently ready for action. Facilitating the gathering was one of the local systems analysts.

He opened with "We'd just like to show you the equivalent speeds for common transactions between our custom built system we've used for nearly 20 years, and the new system you have installed here. On my right, is the new system, and on my left our existing in-house system. We have one of our Technical

[3] The names of personnel have been changed at the request of the companies

Officers operating each system and they will work through the transactions listed on the whiteboard. I will record the start and finish times of each. And then you will better understand our concerns. Perfect way to start, eh? Can't beat a demonstration of the problems. Are you ready gentlemen?" Ready, steady, go! The Analyst's thumb started the timer and they were off. It wasn't quite the Melbourne Cup horse race, but nor was it how Greenfield, Harris and I had expected the review of the new ES to commence. A competition between the systems?

At the starting gun, the fingers of the young technical officer in front of the legacy system sped smoothly into action, rippling across the keyboard in well-practiced fashion. Meanwhile in front of the new system, a mature aged Technical Officer, 24 years with the company, broken glasses perched precariously on the end of his nose, peered anxiously at the screen in front of him then down at his papers, and then back at the screen before hesitantly pecking at the keyboard. He turned to me and said, 'This new system is very confusing you know'. He was also hampered by having his right arm in a sling. I turned to look at Greenfield, who discretely rolled his eyes at me. On the legacy system, the youthful technical officer was onto the third transaction before the first had been completed on the new system. Almost on cue, moments later the machine appeared to hang. 'Typical' the operator said despairingly, giving the keyboard the traditional ten figure clump, 'Hopeless'. Meanwhile the rapid progress on the legacy system was being recorded on the whiteboard and it was not long before the listed transactions were completed, the times recorded with an exuberant flourish.

"I think we've seen enough here" Greenfield, announced, with closing finality. "Perhaps we can have a look around the site, talk to some other system users?" A carefully orchestrated tour took us to the warehouse where the Manager, apparently with no concern for his own career future, regaled us with disaster stories of the new system, then it was into the R&D lab and a repeat, then manufacturing planning and purchasing, before it was back to the Boardroom and lunch. I wondered why we'd not been taken to Customer Service, Sales or Accounting.

And so the day proceeded. Eventually Greenfield, Harris and I took a cab back to the nearby motel, to meet an hour later in the bar. Looking at one another with a mix of emotion born out of exasperation and the hilarity more typical of a Christmas pantomime, we asked ourselves "What was all that about?"

Background

CorpeX is a large (US$15.2 billion annual sales in 2013), US-based specialist chemical manufacturer and distributor. Up until the late 1990s, its business was predominantly in North America (74% in 1998). However it then proceeded with a global expansion strategy based on the acquisition of manufacturing and distribution businesses in the same industry in Europe, Asia and Oceania, transforming itself into a truly global business. Its practice was to identify a growing market of interest in a particular region, identify a successful organisation engaged in a business compatible with CorpeX's interests, and acquire it. Part of their strategy involved implementing their corporate enterprise system (ES) soon after the acquisition, enabling the company to achieve a number of efficiencies including common business processes across sites, improved supply chain integration, standardized performance reporting, and so on. At the time of commencing this expansion in the early '90s, the US business itself was running on an aging, bespoke legacy system which whilst finely tuned to the local business was not seen as meeting the longer term system needs of the growing organisation. IT Management in corporate Head Office suggested to senior executives that they consider an ES system, argued to be ***the*** way at the time to integrate disparate data, improve efficiencies and effectiveness through better resource usage, and streamline business processes. An ES was the best way, they told senior management, to replace aging disparate systems that do not 'talk' to one another. Management was cautious about their advice, but mindful of the stories of failures amongst some large successful companies that had tried implementing an ES system, they decided to trial it in a relatively smaller business than Head Office in the US…a conscious risk mitigation strategy. A recently acquired business in France seemed to be the perfect site for such a trial.

Vive La France

In 1995 a project was established in an acquired business in France to implement a purchased ES system. To assist the project and thinking of longer term needs, CorpeX decided to build in-house knowledge of ES

systems, and so created a small head office team of business analysts who had recently worked on the centralisation of the accounting system. The idea was that the business analysts would periodically travel to France, sharing their knowledge of the Head Office business, and work alongside the local staff in France, who obviously possessed the detailed knowledge of their own business. Communication and support would be maintained when they returned to the US via email exchanges, phone and video conferencing facilities. No external consultants were involved. The small Head Office Business Analysis team worked closely with the much larger project team in France, the whole project being led by a local French project leader. As the project progressed, the fit between the system processes of this early ES system and the needs of the implementing business was found to be poor. With no prior experience of implementing ES systems and no common wisdom yet established, project team members embarked upon significant customisation of the processes and functionality of the ES. In these relatively early days of ES systems and implementations, such an approach was not unusual. However it was gradually realised that with the increasing customisation came increasing complexity, and the potential loss of some of the fundamental benefits that were being targeted with an ES system.

Eventually after two years work, and without the implementation ever taking place, the project was abandoned. Valuable lessons had been learnt: principally, no more customisation. In any future implementation, business processes would be adjusted to work within those prescribed in the system. Where additional functionality was required, strategic application modules (small applications) would be either bought or built and interfaced with the 'vanilla' (un-customised) ES system (see Figure 2).

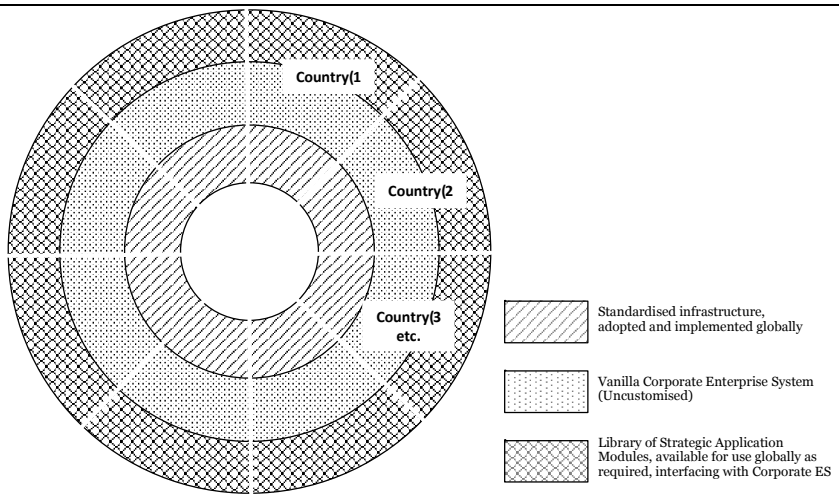

Figure 2. Global Infrastructure Architecture

But CorpeX was not abandoning its longer-term plan to move to an ES environment. A site for a new start was looked for.

The Move "Down Under"[4]

In 1998, a newly acquired business in Australia seemed appropriate for such a new start. It manufactured a representative mix of products, was big enough to be significant without being overly complex, had IT literate staff, and most importantly the Australian CEO was supportive of the business taking on such a project. Furthermore, English was the native language, overcoming one of the problems that had dogged the implementation attempted in France. The core lessons from France were applied: principally no customisation; where necessary the organisation's business processes would be changed to work with the

[4] "Down Under" is a colloquial expression for Australia, reflecting Australia's geographical position in the world if viewed from the Northern Hemisphere.

standard processes in the system, and where required system processes did not exist, small dedicated applications would be bought or built and interfaced with the ES system. A small local project team was set up comprising the now more experienced analysts from the US Head Office, and a small team of business analysts from the local Australian business. Despite the French-led experience being widely viewed as a disaster, CorpeX continued to support their view that maximum support could be garnered, and thus the chances of success were greatest, if such a project was led by a local manager, and so appointed an IT savvy local business manager, Nigel Galloway, who whilst knowing nothing at that point about ES systems, knew the organisation well and was himself widely known. Furthermore, his MBA studies had prepared him well to appreciate that implementing a new system was not just a matter of sorting out the technical challenges, but would need to attend to many social, cultural and political issues throughout the project. In addition to serious planning and analysis sessions he thus planned a series of fun social activities timed to coincide with planned visits from the US team members. The US analysts all learned about the intricacies of cricket in a carefully staged "test match" at a country winery, followed by a good Aussie BBQ. Subsequently, the Australian team members all learned how to play baseball, coached by the visiting US team members. These fun events were quite deliberately designed to build trust, friendship, good memories and some common ground, a sound basis for the coming months requiring close cooperation, some long nights and unexpected challenges, and goodwill all round to achieve a successful outcome.

The new composite team developed a plan to work through all the organisation processes, determine how they would run in the new system, trial them in a series of increasingly broad 'business simulations', before eventually going live nine months later. This was at a time when stories of failing ES implementations sending companies broke were starting to appear in industry literature. Stress in the project was high and unexpected problems common. But the project leader was able to build support and involvement amongst an ever-increasing number of users; they were still able to share a laugh about the cricket and baseball matches, and there developed a wide commitment to the success of the implementation. The system went live on time and budget, a great relief to the many supporters of the Australian trial. However, following go-live, many new unforseen issues emerged, but with a high level of cooperation amongst users, strong support from the US and a local determination to succeed, the issues were gradually resolved, though not always to the satisfaction of local users. The no-customisation rule, the practice of changing business processes to match the system, and the need to fit in with the seemingly much more bureaucratic processes that were built in to the ES software, meant that many business processes took much more time and were much more complicated than the old system, a fact which led to some heavy criticism from some of the local Australian staff. But there were significant functionality gains too and with absolutely no option to do anything else, users gradually made the best of it. The project manager usually was able to quell concerns by explaining the importance of an uncustomised ES, deliberately implemented that way to eventually enable multiple businesses to use a single instance of the system. He acknowledged their short-term pain, but encouraged them to recognise the importance of the new system for the global company. Sympathetic words, an explanation and constructive support were usually adequate to help people adjust to the new, somewhat cumbersome ES.

Again much had been learnt along the way, both about the software itself and the implementation process (especially the softer elements of implementation), and these learnings were carefully documented, and a template articulated to provide an overview and support future implementations. A key plank in that template was a "kick-off conference", a meeting of all key stakeholders prior to the start of a project where they were briefed about the business objectives driving the ES implementation, how each of them would be involved at various phases of the implementation, and encouraging stakeholders to think about the matters they would have to attend to in order to support the implementation. There was no attempt to sugar-coat the implementation process: staff were advised that there would be some disruption, some hard work, possibly some loss of functionality, but also significant gains, and that taking a longer term view, the benefits for both the local business and the corporation were very significant.

Onto the World Stage

Encouraged by the outcome of the Australian ES implementation, management in Head Office decided to proceed with further implementations, starting with a number of newly acquired businesses in Europe and SE Asia. Subsequently separate instances of the same system was successfully implemented by project teams comprising a number of the original Australian implementation team working together with local

project teams of IT staff and users: in each case, they followed the same implementation process that had worked so well in Australia, and in addition, in each case, they designed activities to build bonds between the local staff and the visiting project team members. Thus separate but similar instances were established in newly acquired businesses in Europe, China, Thailand, Singapore, Vietnam and Malaysia between 1999 and 2002. In each case the US based Head of Information Systems and the original Australian project leader would make a series of preparatory visits to the new business to discuss the IT strategy with the CEO and management team. They would explain how it supported business growth in the region, the targeted benefits and the acknowledged downsides, and then using the case of a previous implementation, explain how the project would proceed, the resources needed, the expected timeframe, the risks and how they could be mitigated and so on. This took time but once agreement was reached, each project proceeded quickly and all were regarded as successful both in Head Office and locally.

In 2004 a new version of the ES application, able to accommodate multiple businesses in a single instance was released. This had been expected and a plan developed to implement this system across the Asia Pacific region, bringing all the previous businesses into this single instance. This was expected to bring a number of benefits contributing to faster and more consistent reporting, and more efficient and consistent manufacturing and distribution across the region. A number of members of the original Head Office and Australian team, including the original project manager, again supported by the same senior manager in the US, were brought together to plan and lead this second round of implementation projects in the Asia Pacific region. Whilst most of the companies were on the earlier version of the application, there were also a number of newly acquired companies across the region, who would be moved directly to the single instance of the ES from their existing legacy system. In all cases the same generic process as had been developed before was followed with success. During this time a similar project was launched in Europe to bring CorpeX businesses in the UK, France, Germany, Spain, Italy and the Netherlands onto a single instance of the application. Australian members of the Asia Pacific project were co-opted to advise on the Europe project, based on their experience of the process. Representatives of the European project visited Australia to see first-hand the single instance implementation process.

In all fourteen separate implementations were conducted between 2004 and mid-2006. In all cases the management of CorpeX regarded these implementations as successful, in that the target business moved smoothly to using the new system, on time and within budget. During this entire period from 1998 to 2006 these implementation projects were staffed by a mixture of Head Office and local analysts, Head Office and local technical support staff, and local users co-opted for individual projects. Key stakeholders in the next planned implementation were also included in the project team: this served the purpose of building understanding of the complexity of ES implementation projects, getting them familiar with the ES, and allowing them to experience the change. They became a key resource in the subsequent implementation (Figure 3). Whilst there were some changes in local and Head Office project members over this time, there was sufficient stability to provide good continuity between projects. The majority of the projects in Asia and Oceania were led by a single coordinating project leader, working with a local project leader in each business.

In 2006 the initial umbrella project encompassing the move to a single instance in the Asia Pacific region came to an end. Acquisitions were continuing in the region however, and after such a long history of successful ES implementations, management felt there was now sufficient knowledge within the organisation to allow continuation of the implementations as and when required using project team members from the previous projects. Accordingly when Galloway, the person who had co-ordinated and largely led the Asia Pacific implementations since 1998, completed his contract and left the organisation, he was not replaced.

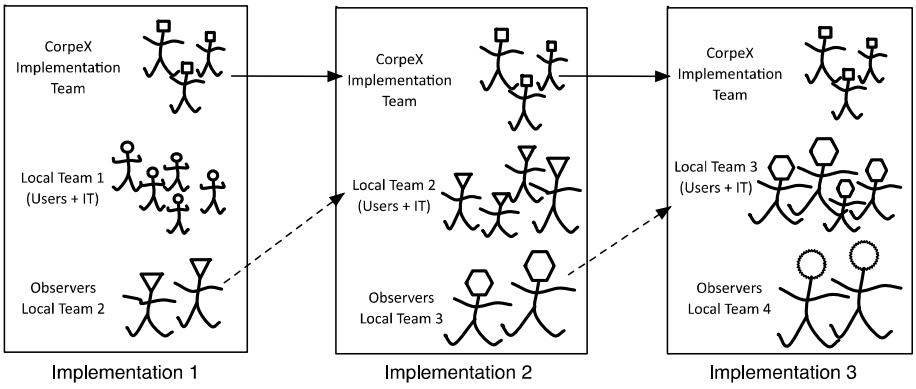

Figure 3. Staffing the ES Implementation

The Acquisition of Company Y

The acquisition by CorpeX of an international competitor, Company Y, in mid-2006 created the need for the Australian CorpeX business to integrate the New Zealand based Company Y into the CorpeX international manufacturing and supply chain. Company Y (NZ), whilst relatively small, had been a strong and successful manufacturer and distributor in NZ for many years, and in fact had a stronger market presence there in their niche market than did CorpeX (and hence the acquisition). Some Company Y employees seemed to regard CorpeX with some disdain, wondering perhaps why they had been taken over and not the other way round. CorpeX hoped for a smooth acquisition, one in which Company Y's market position would not be damaged, nor their costs increased. But CorpeX did want to expand the Australian market for Company Y products, and also planned to implement various cost saving measures such as centralised accounting. Other efficiencies and benefits were also expected to accrue just from being part of CorpeX, including common business processes across sites, improved supply chain integration, and standardized performance reporting, for example. In the main, these benefits would be achieved through Company Y being brought onto the CorpeX ES system.

Unlike their previous strategy, following the acquisition, CorpeX initially left Company Y well alone after the takeover, a point noted by staff who commented that "*they put a sign out the front, but other than that there was no real visible CorpeX presence*". But the underlying plan was to bring Company Y onto the corporate ES system as soon as the appropriate CorpeX project people and infrastructure were available. Unfortunately there were delays with the infrastructure, in particular high speed links to Company Y (NZ), but nevertheless upon finishing some other project work, a small Australian based CorpeX team was assigned to the implementation anyway. It was hoped that by the time they were ready to go-live with the new system, the bandwidth would be available. The risk of course, was that if the bandwidth was still not available, response times would be slow, very slow. By those far removed from the coal face back in the US Head Office, this was perceived as an acceptable risk, and so a decision was taken to proceed with the project.

For the small Australian project team an implementation such as this was considered familiar territory, although this was perhaps the largest new implementation that had been instigated since the formal project had been completed in 2006. David Butcher and Trevor Grey, system analysts in CorpeX Australia, had been involved in multiple such implementations before. In mid-2007, they arrived in New Zealand confident that they knew what needed to be done to enable Company Y to move seamlessly to the CorpeX corporate system. But they found themselves neither expected nor welcome in Company Y. The New Zealanders had long learnt to be rather suspicious of Australians arriving with advice on how to run local affairs. The Company Y team were perfectly satisfied with their bespoke legacy system which they believed served their needs perfectly and was familiar to all. Moreover they'd heard of the cumbersomeness of the ES of their former competitor, but now owner.

Somewhat unwillingly, they met with the visiting analysts Butcher and Grey, to hear about the supposed move to the new system. They learnt there was much they would have to do, which came as a bit of a surprise as they thought perhaps the bulk of the work would be handled by the Australians. Worse still,

there were to be no additional resources, and at the same time they were expected to meet ambitious manufacturing and sales targets imposed by their new regional CEO in Hong Kong. They nodded to Butcher and Grey and said they would do their best. Back at their desks they left Butcher and Grey to get on with it.

For the two analysts, the resulting lack of cooperation and engagement by the local team was unexpected. In previous projects of any size they had arrived on site to find a local project team ready to start, keen to learn about the new system, prepared to work long hours if necessary, anxious to determine how their business would run in the new environment. Such had been project life in China, Thailand, Malaysia and other countries. But here, people were not available for meetings, didn't turn up for education and training and didn't deliver data when requested. Grey even complained that he'd been locked in more than once. *"They all go home at 4pm. After 4.00pm you could shoot a cannon through the place. If I stayed on working late I'd soon be all by myself and locked in, I'd have to ring security to come and let me out"*.

Back in Australia, Butcher and Grey complained loudly about the New Zealanders and spoke of their exasperation at the progress that had been achieved to date. *"People weren't really interested, there was no sense of urgency, no one is making an effort to make it work, their attitude has really got to change"* they proclaimed to their mates over a cup of coffee on the first morning back in the Australian office. The Senior Management team however, were concerned about these reports, and decided a more senior manager should take on a part-time project manager role, and start by going to NZ to "*get things back on track*". The Australian Managing Director asked Senior Manager Stuart Barker, to add this to his other responsibilities, "*just to give the implementation a bit more credibility"*. With a background in sales management, Barker had been involved in some of the prior ES projects in Asia, taking the role of an analyst with knowledge of the Pricing Module and Order Management. Barker had heard the stories of the NZ project and was happy to take on the role and determined to get improved cooperation in NZ. He had a good understanding of the overall single instance enterprise system strategy, and corporate benefits it was intended to deliver.

Barker is a big tall man, with a strong Australian accent, and was known for being a bit abrupt at times. On this first visit to discuss the project with the NZ project team, he made the Australian position clear: the project was to proceed, whether they wanted it or not. Barker detailed the required project activities that needed to take place and the expected time line, and made sure it was acknowledged that the full cooperation of the NZ staff would be required in order to achieve the proposed go-live date, scheduled in the not too distant future.

Following his brief visit and departure back to Australia, nothing much actually changed in Company Y. Progress continued at a slow pace. Like the latter projects in SE Asia, much of the project activity was conducted online via web conferences. Using this medium, weekly meetings were set up between Butcher, Grey and Barker in Australia and the NZ team, led by the local IT Manager. The NZ business seemed to see it very much as an IT project. Initially the NZ General Manager had said he would project manage the NZ side of things, which seemed an excellent demonstration of senior management support, however he had subsequently delegated this responsibility to his IT Manager, and did not participate in any subsequent meetings. Barker was unconcerned by this, taking the NZ GM's non-participation as an indication that he was happy with the way the project was going.

Barker ran the weekly online meetings which soon became a review of ongoing tasks: the clarification of how processes would work in the new system and changes where necessary, system configuration issues, data configuration, in particular the move of all the NZ raw material codes to the Australian codes, data cleansing and loading, testing, and of course education and training. The raw material code changes was a big job and had to be done as a follow on from the acquisition of the business anyway, and was part of the needed alignment with CorpeX, whether they had gone to the new system or not. Meanwhile the education and training on the new system was run by Butcher, Grey and other subject matter experts (SMEs) in Australia, mainly online, where they would use a shared screen and phone link to talk a group of users through various processes using a test system as an example. To support this the New Zealand team were given access to the Australian test system so they could go in and learn about the processes in the new system and practice transactions as part of this education and training. In previous implementations a system environment was set up specifically for the business moving to the new system, and loaded with their business specific data, to make the education and training more realistic. However in this case Barker thought this was an excessive amount of work and not needed.

Nevertheless progress was extremely slow. Frustrated by the inactivity, Barker stuck to the cutover date he had set, thinking that the pressure would eventually lead to the New Zealanders realising they just had to get on and confirm all the key processes, supply the needed data in the required format, and prepare their business as guided, for the cut over. The tension in the teleconferences between the Australian and New Zealand project members increased. The stories of each other's inactivity and shortcomings grew wilder.

A Company Y (New Zealand) Perspective

The perspective of Company Y (NZ) staff on the whole matter was rather different to that of the Australians. The first that Jim Sadler, the local IT Manager, heard about the possibility of a new system was at an address to the assembled staff by a senior CorpeX Australia manager about a month before the acquisition completion date. He mentioned that CorpeX had their own corporate ES system and implied that one of the first things that would be happening for Company Y would be a move to this corporate system. Sadler was a bit surprised and disappointed that nothing had been mentioned to him about this before in talks with CorpeX.

Following the actual acquisition nothing much changed at Company Y (NZ), apart from the sign of the new owners being erected at the front of the main manufacturing site. For Sadler the beginning of the change began when two seemingly young business analysts, Butcher and Grey from CorpeX Australia, arrived on site a few months later. He learned from them that they had been deeply involved in a number of such implementations over the last few years. "*We know how to do this"* they said, "*Just do as we say and there will be no problem"*. The major task for Sadler then became data extraction from the legacy system, following specification instructions supplied by Butcher and Grey. But the way data was structured in the legacy system was very different to that required by CorpeX and Sadler's job wasn't easy. It was soon further complicated when it seemed that the required data specifications started to change too, requiring the extract queries to change, and introducing new complexity. Butcher and Grey had long gone back to Australia, and frequent emails and phone calls became the channel for Sadler's growing frustration.

Sadler was actually keen to support the implementation in the first instance. But he had many questions for Butcher and Grey. However they had other responsibilities as well and so many of his questions went unanswered. The local IT Manager felt he wasn't being listened to. Underlying this frustration was his lack of overall understanding of the new system and the implementation plan, and a growing sense that no-one seemed to be in overall charge of the project. It wasn't very long before he sensed that things were not going very well and were not going get any better. Talking with the other members of the Company Y (NZ) management team, Sadler found his worries were shared. The General Manager was very supportive of their concerns and undertook to raise them with the GM of CorpeX Australia. It was not long before Sadler learned that a member of the CorpeX Australia management team, Stuart Barker, had been appointed as Project Manager. Sadler's concerns were allayed somewhat on hearing that Barker had been closely involved in the many successful implementations across Asia: at last maybe Sadler would have someone sufficiently senior and knowledgeable who would understand his concerns. He quietly shuddered at the recollection of those two young junior analysts who had come over to get the implementation going, quite nice fellows, he was sure, but certainly "*not at the right level nor the right type of people to be running the project*". Barker soon appeared at Company Y (NZ). However, rather than the experienced and understanding ear that Sadler had expected, he sensed Barker had the view that the NZ team were being deliberately difficult, and just started issuing decrees about what was going to happen. He recalled that there was little explanation provided by Australia: it was more a case of, *"Well you're going to change and do it this way… because that's the way Australia does it."*…Barker strongly pushed for and established a firm cutover date in the not very distant future, while Sadler was left doubly concerned that there was no appreciation from Australia that firstly, the NZ business was quite different to that in Australia, and secondly that there was a lot of complexity that the Australian team had just overlooked.

The local IT team wondered how they could possibly be ready for this cutover target date. From the perspective of CorpeX they could see benefits for a common system and an early switch over, but there seemed to be so many processes in the legacy system that they were dependent on that the new system didn't have, and for which there seemed no easy solution.

But there were some small successes, for instance the unpaid debtor amounts data was successfully extracted, converted, loaded to a test system, and ran correctly first time. This was only one small set of data, but notable for its success amidst a large number of unsuccessful extracts.

Cutover Day

Uncompromisingly, Project Manager Barker stuck with the cutover date. In his opinion, the requests from NZ that cutover be delayed was further evidence of their refusal to engage with the change project and their resistance to change. With the small CorpeX project team on site for a week before and after the cutover, the move was made to the new system early in the New Year. The unresolved issues rapidly made their presence felt, demanding immediate resolution in some form. Problems quickly compounded. Just processing common transactions was taking much longer than on the legacy system due to the lack of understanding of the system, the very slow response time, and the multiple screens for common transactions. Moreover many transactions couldn't be completed due to missing or incorrectly loaded data. Company Y quickly took on temporary staff to help, but this introduced even more problems as these staff had even less knowledge of the system and in addition were unfamiliar with the business, its processes and customers. They required additional support and introduced more pressure and new errors.

Problems rapidly compounded, for instance the errors in the pricing system resulted in multiple errors appearing in invoices, resulting in customers refusing to pay until credit notes were issued. But credit notes couldn't be issued until correct prices had been confirmed. However there were multiple errors in the price files that had to be fixed first. Customers stopped paying their bills and debt escalated. Individual customers exceeded their credit limit and could no longer be supplied with any products without special approval. Such customers, often relying on daily deliveries, found their own businesses grinding to a halt. In desperation they put yet more pressure on Company Y Sales Representatives who had no idea how to solve the problem via the system. Some resorted to informal (feral) practices outside the system to get product to customers. This led to finished goods inventory records rapidly becoming incorrect, which distorted the ES system and led to the non-manufacture of required goods, and the non-ordering and purchase of raw materials that would actually be required in the near future. Every part of Company Y was suddenly in crisis. In desperation customers turned to competitor suppliers. To Sadler and many other staff in Company Y (NZ), it felt as though every report of a seemingly small-ish problem, led to a tangled web of interconnected problems that were slowly choking their business. To his dismay, the Australian team still seemed to refuse to listen to their concerns, and showed little sympathy or offered little support when Sadler tried to explain the ecology of problems that he was trying to deal with. Sadler felt he had to raise his concerns to the GM (NZ), explaining that *"It hasn't gone smoothly because the NZ business is much more complex, some core processes that we depend on just can't be replaced by functionality in the new ES, and no one in Australia seems to be taking our problems and concerns seriously. Generally the response I get is "This is how we do it in Australia"!"*

Prior to cutover many Company Y users had become very critical of the whole implementation process. Now experiencing the resultant system they had to work with they felt their fears were justified. They complained bitterly to each other and did not hesitate to vent about the system to customers, when the latter started to complain about receiving incorrect orders, incorrect invoices, and so on. They repeated stories detailing just how bad the system was and the failure of CorpeX to listen to their concerns. Sales staff received a daily barrage of complaints from customers, to the point where they started to distance themselves from CorpeX, claiming (incorrectly) that they actually worked for Company Y, not for CorpeX. This only served to infuriate some members of the Australia CorpeX implementation team, who felt it was time that the New Zealanders woke up to the fact that "*we are now one big happy family. We all work for CorpeX. We are implementing some software that's being used globally, and it's worked globally, so please don't have this attitude that you are not part of CorpeX*".

The survival of Company Y (NZ) through these first few weeks and month was the result of enormous commitment, ingenuity and persistence primarily by the NZ team, supported by the Australian project members who couldn't help having the feeling 'We told you this would happen, it's your own fault, if you'd done what we said none of this would have happened'. For their part many Company Y (NZ) staff, typified by the local IT Manager Jim Sadler, used exactly the same words to blame the Australians. Sadler was

especially upset about things when he saw how hard the NZ staff were working, how much effort they had made over many months, and how stressed they now all felt.

The combined efforts of both teams fairly quickly led to a containment of the worst issues, with some rapid learning of the system by local users, the invention of work-arounds both formal and informal, and some additional temporary staff. But inevitably there was a decrease in performance. Sales went down, manufacturing went down, whilst money owed and costs went up. But the complaints from staff continued! A temporary dip in performance was not unexpected by the Regional CEO in Hong Kong, but with no improvement in month two, he started to become very concerned and irritated, and by month three, he demanded a full explanation and an improvement plan from Company Y's General Manager.

The NZ General Manager was quick to blame the whole system implementation and CorpeX Australia for all his problems. He said the only solution was an immediate return to their legacy system. The Regional CEO, with a strong background in sales management and often a critic of IT, had been hearing these complaints from the NZ GM for months, and passing them on to the CIO in the US. Now he went back to the CIO in the US with an ultimatum, he wanted the Company Y (NZ) system problems fixed immediately, preferably through the withdrawal of the new ES system and a return to the legacy system.

In the US the CIO had heard a little about the problems with the Company Y (NZ) ES implementation project largely from the Australians, and so had heard about the lack of cooperation and commitment in the NZ business, the forced delays, and the go live ultimatum. In the call from the Asia Pacific CEO he'd heard how the NZ GM was yet again blaming the ES and the Australian led implementation for the very poor sales and costs results over the last quarter. He knew very well of the longer-term successful implementation record of Australian led implementations and wondered why this implementation was proving so problematic. He wondered if there were actually deeper problems in the newly acquired Company Y business, and if the system was perhaps being used as a convenient scapegoat by the local GM.

However an implementation failure in New Zealand was the last thing the CIO needed. A number of other implementations of the system were about to commence in other newly acquired businesses in other countries. News of the problems in NZ had reached their ears, and many were now challenging the need to replace their systems. Furthermore another division of CorpeX, that had installed a different ES system, a competitor to the one that was being rolled out across and Asia and in NZ, and was arguing that their system was much superior to that one. They claimed that it should become the global standard, not the one that the CIO had supported and nurtured over the last eight years. He worried that allowing a return to a legacy system in NZ might set a precedent, quite apart from the set back to the achievement of a fully integrated regional system in the rapidly growing Asia Pacific market.

He realised he needed to take urgent action, he needed to talk to someone he could trust. It was at this point that the CorpeX CIO in the US picked up the phone to call one of his senior IT Managers, Derek Greenfield. "Derek, I need you to visit New Zealand…"

Where to from here?

Greenfield met up with Nigel Galloway (the manager of many previous successful implementations) and Jason Harris, the newly appointed IT Manager for CorpeX in Australia and New Zealand, in Company Y's offices in New Zealand to undertake a review. Following the direct comparison of transaction entry times of the old and new systems, already described, the review team were confronted by each department presenting their complaints about the new system. Their intense animosity to the new system was evident. But when challenged to produce specific examples of their many complaints Company Y staff found it embarrassingly hard to produce it in a number of key cases. The rhetoric was strong, but when examined in detail by the team, the basis of many of the specific complaints melted away. It seemed as if most of the complaints had actually been resolved in some way already, but the vivid memory of them remained. At the same time there clearly were some fairly serious technical issues, which the review team acknowledged would have been very damaging to the business, but most notable was the vehemence with which the system was being rejected. It also came to light that the legacy system had been allowed to continue to run, and according to the local IT Manager could be restored to fully support the business in a matter of days.

At the end of three days visiting the NZ offices and seeing the difficulties first hand, the small review team met to consider the options and make their recommendation. At the top of their minds were the following questions:

Should the ES system, now in place for three months in Company Y, be continued with? If so how might the technical issues be clarified and resolved, and the attitude of the users turned around to one of support for the new system? How long might this take and what sort of costs might be incurred? What might the effect of this be on sales and costs?

Alternatively, if the ES system were withdrawn, could it in fact be replaced very quickly by the legacy system? What would be the benefits and risks of such a change? How would this be perceived in Company Y (NZ) and CorpeX Australia and how might this affect their relationship? How could the Head Office CIO justify accepting such a recommendation considering the other pressures on him about the system? How might he handle this? What about the longer term, would this mean accepting that Company Y (NZ) would operate outside the regional ES system from here on?

Were there any other options?